

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2001

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Docket No. R2001-1
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

ERRATA TO RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF VAL-PAK DIRECT MARKETING SYSTEMS, INC. AND VAL-PAK
DEALERS' ASSOCIATION, INC.
(VP/USPS-4(a))

The United States Postal Service hereby provides a revised response to the following interrogatory of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association, Inc.: VP/USPS-4(a), filed on November 27, 2001. The response is revised only to indicate that an electronic version of Attachment A has been filed in USPS-LR-J-192. Because the revised response refers to Attachment A, the revised response includes the attachment even though no revisions have been made to it.

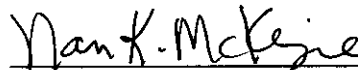
The interrogatory subpart is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO AN INTERROGATORY OF VAL-PAK DIRECT MARKETING SYSTEMS, INC. AND VAL-
PAK DEALERS' ASSOCIATION, INC.

VP/USPS-4.

Please refer to the table and graph in interrogatory OCA/USPS-106.

- a. Please examine the Management Operating Data System ("MODS") operations and In-Office Cost System ("IOCS") tallies that underlie the mail processing unit costs for First-Class single piece and Standard Regular letter-shaped mail in the 0-1 and 2-3 ounce increments and explain which MODS operations are the major cause for mail processing unit costs of First-Class Single Piece Mail between 2-3 ounces to increase by 249 percent ($0.4017/0.1151$), while the unit cost for 2-3 ounce Standard Regular Mail increases by only 28 percent ($0.0638/0.0497$) over that of 0-1 ounce Standard Regular Mail. That is, in which particular MODS operations for letters did the tallies for First-Class single piece mail increase relative to those for Standard Regular, as weight increased to the 2-3 ounce range?

RESPONSE:

- a. After analyzing the data in USPS-LR-J-58, it was determined that the cost pools for letters that show the greatest relative increase in unit mail processing cost for First-Class single piece mail compared to those for Standard Regular (commercial and nonprofit) as weight increases from the 0-1 ounce range to the 2-3 ounce range were the manual sortation cost pools and the allied cost pools, and to a lesser degree the mechanized sortation cost pools. The costs, unit costs, and increases are shown in Attachment A. As shown in Attachment A, the identified cost pools account for 80 percent of the 0.2866 cents unit cost difference in First-Class single-piece letters from 0-1 ounces to 2-3 ounces (0.1151 to 0.4017). For information on which MODS operations are included in each cost pool, see USPS-LR-J-55, Table I-2B, pages I-12 to I-27. An electronic version of Attachment A has been filed in USPS-LR-J-192.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO AN INTERROGATORY OF VAL-PAK DIRECT MARKETING SYSTEMS, INC. AND VAL-
PAK DEALERS' ASSOCIATION, INC.**

Attachment A to VP/USPS-4

TY03 Volume Variable Mail Processing Costs (\$000) for Clerks and Mailhandlers - All Offices

Cost Pool	First-Class Single Piece Letters			First-Class Presort Letters			Standard Regular Letters		
	0-1 oz	1-2 oz	2-3 oz	0-1 oz	1-2 oz	2-3 oz	0-1 oz	1-2 oz	2-3 oz
BCS/	220,883	18,399	3,643	109,497	8,685	1,742	78,126	18,005	3,090
BCS/DBCS	691,871	49,304	6,379	441,789	40,671	4,532	305,702	58,851	14,342
OCR/	217,663	21,934	4,687	69,977	8,582	483	60,717	16,912	3,509
MANL	519,232	62,230	18,330	140,479	13,112	3,224	135,737	35,474	11,209
1CANCMP	369,559	55,220	17,489	22,060	2,202	2,419	13,997	2,234	300
1OPREF	230,149	21,930	9,150	124,670	11,380	2,185	84,973	21,021	5,630
1PLATFRM	361,687	38,177	15,199	164,818	14,863	2,566	141,078	32,824	8,307
1POUCHNG	156,998	15,484	7,082	71,526	7,841	1,513	57,309	12,294	3,105
Allied*	1,092	380	0	214	0	0	44,346	7,141	5,209
Manual Letter*	519,603	41,584	7,801	205,265	13,517	2,996	164,227	26,971	10,178
Other pools	1,409,927	113,849	28,568	735,691	51,400	6,359	555,956	97,425	31,082

TY 03 Unit Mail Processing Costs

Cost Pool	First-Class Single Piece Letters			First-Class Presort Letters			Standard Regular Letters		
	0-1 oz	1-2 oz	2-3 oz	0-1 oz	1-2 oz	2-3 oz	0-1 oz	1-2 oz	2-3 oz
BCS/	0.0054	0.0104	0.0124	0.0022	0.0072	0.0137	0.0024	0.0025	0.0021
BCS/DBCS	0.0169	0.0277	0.0217	0.0090	0.0338	0.0357	0.0093	0.0083	0.0095
OCR/	0.0053	0.0123	0.0159	0.0014	0.0071	0.0038	0.0018	0.0024	0.0023
MANL	0.0127	0.0350	0.0622	0.0029	0.0109	0.0254	0.0041	0.0050	0.0074
1CANCMP	0.0091	0.0311	0.0594	0.0004	0.0018	0.0191	0.0004	0.0003	0.0002
1OPREF	0.0056	0.0123	0.0311	0.0025	0.0095	0.0172	0.0026	0.0030	0.0037
1PLATFRM	0.0089	0.0215	0.0516	0.0034	0.0124	0.0202	0.0043	0.0046	0.0055
1POUCHNG	0.0038	0.0087	0.0240	0.0015	0.0065	0.0119	0.0017	0.0017	0.0021
Allied*	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000	0.0013	0.0010	0.0035
Manual Letter*	0.0127	0.0234	0.0265	0.0042	0.0112	0.0236	0.0050	0.0038	0.0068
Other pools	0.0345	0.0641	0.0970	0.0150	0.0427	0.0501	0.0168	0.0137	0.0207

Percent Difference 2-3 oz. to 0-1 oz.

Cost Pool	FC Single Piece	FC Presort	Standard
BCS/	129%	515%	-13%
BCS/DBCS	28%	297%	3%
OCR/	198%	167%	27%
MANL	389%	788%	81%
1CANCMP	556%	4142%	-53%
1OPREF	451%	578%	45%
1PLATFRM	482%	502%	29%
1POUCHNG	525%	718%	19%
Allied*	-100%	-100%	158%
Manual Letter*	108%	465%	36%
Other pools	181%	234%	23%

Unit Cost Difference 2-3 oz. To 0-1 oz.

Cost Pool	FC Single Piece	FC Presort	Standard
BCS/	0.0070	0.0115	-0.0003
BCS/DBCS	0.0047	0.0267	0.0003
OCR/	0.0106	0.0024	0.0005
MANL	0.0495	0.0225	0.0033
1CANCMP	0.0503	0.0186	-0.0002
1OPREF	0.0254	0.0147	0.0012
1PLATFRM	0.0427	0.0169	0.0012
1POUCHNG	0.0202	0.0105	0.0003
Allied*	0.0000	0.0000	0.0021
Manual Letter*	0.0138	0.0194	0.0018
Other pools	0.0624	0.0351	0.0038

Source for cost and volume data: USPS-LR-J-58

*Non-MODS cost pools

All but 'Other'	0.2242	0.1431	0.0102
Total difference	0.2866	0.1782	0.0141
Percent of total	78%	80%	72%

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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December 10, 2001